

AR41



INTERIM REPORT

SIX MONTHS ENDED JUNE 30, 1967

WESTERN HERITAGE PROPERTIES LIMITED

WESTERN HERITAGE PROPERTIES LIMITED AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Income

for the six-month period ended June 30, 1967

Sales:		
Land - - - - -	\$2,281,899	
Manufacturing and other - - - - -	<u>1,597,122</u>	\$3,879,021
Cost of sales:		
Land - - - - -	1,144,895	
Manufacturing and other - - - - -	<u>846,409</u>	1,991,304
Gross profit - - - - -		<u>1,887,717</u>
Dividend and interest income - - - - -		35,744
Other income - - - - -		<u>28,303</u>
		1,951,764
Expenses:		
Operating, selling and administrative - - - - -	1,267,268	
Interest:		
Long-term debt - - - - -	254,151	
Other - - - - -	<u>155,436</u>	
Depreciation, depletion and amortization - - - - -	123,711	
Amortization of debt discount and financing expense - - - - -	<u>6,131</u>	1,806,697
		<u>145,067</u>
Provision for income taxes - - - - -		5,000
		<u>140,067</u>
Company's share of net income of a partnership - - - - -		10,023
		<u>150,090</u>
Amortization of excess of cost of investment in subsidiaries over book value of their net assets - - - - -		86,582
Net income for the period - - - - -		<u>\$ 63,508</u>

To the Shareholders:

Herewith the interim report of your company for the six months ended June 30, 1967.

Due to the material changes in accounting policy instituted late in 1966, which were referred to in the 1966 Annual Report, it has proved impracticable to prepare the Statement of Income in comparative form.

Respectfully submitted,
A. L. BEATTIE,
President
September 13, 1967

Statement of Source and Application of Funds

for the six-month period ended June 30, 1967

Funds Provided By:	
Operations (including non-cash items added back of \$206,401) - - - - -	\$269,909
Advances from parent company including interest - - - - -	581,349
Refund of collateral deposits - - - - -	<u>52,581</u>
	903,839
Funds Used For:	
Reduction in long-term debt - - - - -	\$550,270
Net purchase of fixed assets - - - - -	91,484
Increase in non-current portion of land inventory - - - - -	<u>122,852</u>
Other - - - - -	4,122
Increase in working capital - - - - -	<u>\$335,111</u>

Statement of Changes in Working Capital

for the six-month period ended June 30, 1967

	June 30/67	Dec. 31/66	Working Capital Increase (Decrease)
Current Assets:			
Cash - - - - -	\$ 310,108	\$ 215,723	\$ 94,385
Accounts receivable - - - - -	816,049	544,961	271,068
Amounts receivable under sale agreements - - - - -	2,289,725	1,806,736	482,989
Inventories:			
Land - - - - -	1,825,645	2,592,820	(767,175)
Other - - - - -	658,109	574,611	83,498
Notes and mortgages receivable - - - - -	588	—	588
Prepaid expenses - - - - -	<u>114,143</u>	<u>90,928</u>	<u>23,215</u>
	6,014,367	5,825,799	
Current Liabilities:			
Bank loans - - - - -	1,118,248	915,460	(202,788)
Accounts payable and accrued liabilities - - - - -	567,546	651,943	64,397
Income taxes payable - - - - -	5,706	826	(4,880)
Accrued interest - - - - -	46,698	43,507	(3,191)
Estimated costs to complete subdivisions under development - - - - -	<u>1,364,735</u>	<u>1,608,562</u>	<u>243,827</u>
Demand notes payable - - - - -	—	100,000	100,000
Current instalments on long-term debt - - - - -	581,191	530,369	(50,822)
	3,704,124	3,850,667	
Working capital - - - - -	<u>2,310,243</u>	<u>1,975,132</u>	
Net increase in working capital - - - - -			<u>\$335,111</u>

WESTERN HERITAGE PROPERTIES LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of the shareholders of WESTERN HERITAGE PROPERTIES LIMITED will be held at the head office of the Company, 35 Old Mill Road, Toronto, Ontario, on

MONDAY, THE 23rd DAY OF OCTOBER, 1967

at the hour of eleven o'clock in the forenoon (Eastern Daylight Saving Time) for the purpose of:

- (1) receiving and considering the report of the Directors; the Consolidated Balance Sheet, the Consolidated Statements of Income and Deficit and the Report of the Auditors thereon for the year ended December 31, 1966;
- (2) electing Directors for the ensuing year;
- (3) appointing the Auditors;
- (4) transacting such other business as may properly come before the meeting.

DATED at Toronto this 13th day of September, 1967.

By Order of the Board of Directors,
A. R. VOELKER, Secretary

If you are not able to be present, please sign and return the accompanying proxy.

INFORMATION CIRCULAR

**The Corporations Act
The Securities Act
Statutes of Ontario**

Proxies are being solicited on behalf of the Management of Western Heritage Properties Limited (the "Company"), and the persons mentioned in the form of Proxy have been designated to represent the Management at the Annual Meeting of Shareholders to be held on the 23rd day of October, 1967, and at any adjournment or adjournments thereof.

The cost of solicitation will be borne by the Company. The solicitation will be made by mail only. No remuneration will be paid to any person for soliciting proxies, but the Company may, upon request, pay to brokerage firms, fiduciaries and other persons holding shares in their names for others, the charges entailed for sending out proxies to the persons for whom they hold shares.

PROVISIONS RELATING TO VOTING

Shareholders of record at the time of the holding of the Meeting will be entitled to one vote for each share held. The Company has outstanding 1,194,388 shares of its capital stock. A proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is exercised. Two or more shareholders representing in person or by proxy at least 50 per cent of the issued shares of the Company constitute a quorum at meetings of shareholders. All proxies must be lodged with the Secretary at or prior to the commencement of the meeting.

ELECTION OF DIRECTORS

At the Annual Meeting a Board of nine Directors is to be elected, to hold office until the next Annual Meeting of Shareholders or until their successors are elected, and it is the intention of the persons named in the enclosed form of proxy to vote such proxy for the election of the following persons, being the present Directors of the Company, all of whom are standing for re-election.

The Management does not contemplate that any nominee will be unable to serve as a Director for any reason, but should this be the case, the persons named in the accompanying form of proxy reserve the right to vote for another person of their choice in his place and stead.

The names of the present Directors (all of whose terms of office expire at the Annual Meeting and who are nominees for re-election as Directors), their position with the Company, their principal occupation during the past five years, the year in which they each became a Director of the Company and the approximate number of shares of the Company beneficially owned by them, directly or indirectly, as of the 13th day of September, 1967, are as follows:

Name	Position with Company	Principal Occupation During Past 5 Years	Director Since	No. of Shares Beneficially Held
A. L. Beattie, Q.C. - -	President - -	Partner—Osler, Hoskin & Harcourt - - - -	1966 - -	Nil
G. E. Creber, Q.C. - -	Director - - -	Partner—Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson - - -	1966 - -	Nil
R. E. Macnaughton -	Director - - -	President—Home Smith Properties Limited - - - -	1967 - -	Nil
R. J. MacNeill - -	Vice-President -	President—Diamond Clay Products Limited - - -	1966 - -	2,000
Alan J. Scott - - -	Vice-President -	Vice-President - - - - -	1966 - -	2,100
Gordon E. Smith - -	Director - - -	Retired - - - - -	1967 - -	4,000
George C. Solomon -	Director - - -	President—Western Tractor Ltd. -	1963 - -	200
A. R. Voelker, C.A. - -	Vice-President, Secretary & Treasurer - -	Vice-President, Secretary & Treasurer—Great Northern Capital Corporation Limited -	1966 - -	Nil
John P. Walwyn - -	Director - - -	Partner—Walwyn, Stodgell & Company Limited - - - -	1964 - -	200

NOTE 1 The information as to shares beneficially owned by each nominee, not being within the knowledge of the Company, has been furnished by such nominee.

NOTE 2 In addition A. L. Beattie, Q.C., G. E. Creber, Q.C., and John P. Walwyn are each directors of Great Northern Capital Corporation Limited which owns 78.7% of the outstanding shares of the Company.

REMUNERATION OF MANAGEMENT

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the Directors and Senior Officers of the Company as a group during the Company's last completed financial year was \$85,000.

The estimated aggregate cost to the Company and its subsidiaries in the last completed financial year of all pension benefits, other than under the Canada Pension Plan, proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company and its subsidiaries to the Directors and Senior Officers of the Company as a group was \$4,000.

No options to purchase capital securities of the Company have been exercised by any of the Directors or Senior Officers of the Company since the commencement of the Company's last completed financial year.

APPOINTMENT OF AUDITORS

It is intended to vote the proxies hereby solicited to appoint Messrs. Clarkson, Gordon & Co., Chartered Accountants as Auditors of the Company to hold office until the next Annual Meeting of Shareholders. Messrs. Clarkson, Gordon & Co. were first appointed as auditors of the Company on November 2, 1966.

MANAGEMENT CONTRACTS

The Company does not have any management contract and does not pay any management fees to any other person. The Company does however receive certain management advice and assistance from Great Northern Capital Corporation Limited which company as stated above owns 78.7% of the outstanding shares of the Company.

MANNER PROXIES WILL BE VOTED

The Management does not know of any other matters to be brought before the Meeting other than those hereinbefore set forth and in the Notice of the Meeting. However, if any other matters which are not now known to the Management should properly come before the Meeting (including amendments or variations to matters identified in the Notice of the Meeting), the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

With respect to the approval of the Report of the Directors and the Financial Statements for the year ended December 31, 1966 the proxy will be voted in accordance with the instruction given on the proxy. If no instruction is given the proxy will be voted in favor of approval.

By Order of the Board of Directors,

A. R. VOELKER,
Secretary.

Toronto, Ontario,
September 13, 1967.

AR41



ANNUAL REPORT

1967

WESTERN HERITAGE PROPERTIES LIMITED

The Annual Meeting of shareholders of Western Heritage Properties Limited will be held on June 27, 1968 at 2.00 p.m. (Eastern Daylight Saving Time) at the head office of the Company, 35 Old Mill Road, Toronto, Ontario. Shareholders not planning to attend in person are requested to execute and send in their proxies.

WESTERN HERITAGE PROPERTIES LIMITED

DIRECTORS

Allan L. Beattie, O.C.
Toronto, Ontario

R. J. MacNeill
Toronto, Ontario

George C. Solomon
Regina, Saskatchewan

G. E. Creber, O.C.
Toronto, Ontario

Alan J. Scott
Toronto, Ontario

A. R. Voelker, C.A.
Toronto, Ontario

R. E. Macnaughton
Toronto, Ontario

Gordon E. Smith
Toronto, Ontario

John P. Walwyn
Toronto, Ontario

MANAGEMENT

Allan L. Beattie, O.C.
President

R. John MacNeill
Vice-President

J. Douglas Ritchie
Vice-President

Alan J. Scott
Vice-President

A. Roy Voelker, C.A.
Vice-President, Secretary and Treasurer

Donald E. Fox, C.A.
Comptroller and
Assistant Secretary-Treasurer

Henry K. Mueggler
Assistant Secretary-Treasurer

T. Burton Chute
Vice-President and General Manager
The Old Mill Limited

John G. Paul
Vice-President and General Manager
Canarama Western Limited

HEAD OFFICE

35 Old Mill Road
Toronto 18, Ontario

Auditors
Clarkson, Gordon & Co.
Toronto, Ontario

Transfer Agent & Registrar
Montreal Trust Company
Toronto, Ontario

Trustee for Debentures
Guaranty Trust Company of Canada
Toronto, Ontario

Trustee for Share Purchase Warrants
Montreal Trust Company
Toronto, Ontario

The Common Shares and Share Purchase Warrants are listed on the Vancouver Stock Exchange

WESTERN HERITAGE PROPERTIES LIMITED

To the Shareholders:

In 1967 total sales of your Company amounted to \$8,897,852, an increase of \$1,140,816 or 15% over the total sales of \$7,757,036 for 1966.

I am pleased to report net income for the year at \$208,558 (17 cents per share) after provision of \$99,200 for income taxes, a considerable improvement over the net loss of \$277,974 recorded for 1966. During the year an increase in working capital of \$503,878 was achieved, and bank loans were reduced by \$276,196.

The year 1967 in Canada brought continuously increasing mortgage rates and despite heavy direct investment in mortgages by Central Mortgage & Housing Corporation, the Prairies and Maritimes suffered a considerable curtailment of house construction due to a shortage of N.H.A. lenders.

Your Company's Western Canadian land sales in 1967, including its share of sales at River Heights, Saskatoon, in which the Company has a 55% interest, were \$642,401, down 26% from the 1966 figure of \$872,354.

In Ontario, sales in Markham and Burlington totalled \$1,578,871, or approximately the same as for 1966. In the U.S.A., lot sales at Hemlock Farms including \$239,500 attributable to an expropriation settlement offer amounted to \$2,973,277, or 29% over the figure of \$2,302,685 reported for 1966.

Total land sales (excluding River Heights, Saskatoon) for 1967 were \$5,099,759 or 14% over the 1966 figure of \$4,476,481. Prospects for 1968 land sales are uncertain due to the extremely high mortgage

rates and severe shortage of funds for housing existing at this time.

In 1967 Diamond Clay Products Limited of Burlington, Ontario increased its sales by 21% to \$2,358,967, from a 1966 figure of \$1,944,038. Sales of Empire Clay, all the outstanding shares of which were acquired by Diamond Clay during the year, increased by 9% over the previous year's figure to \$559,669.

The operations of the Old Mill Restaurant continue at a level comparable with recent years.

Your Company continues to rely upon the financial support provided to it by its principal shareholder Great Northern Capital Corporation Limited which company's negotiations on a substantial income tax liability were concluded satisfactorily with the Department of National Revenue in November, 1967. The annual report of Great Northern for 1967 is enclosed with this report.

The loyal and effective contribution of our officers and employees is recognized and appreciated by the Board.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'M. J. ...', written over a horizontal line.

June 10, 1968.

President.

The accompanying notes are an integral part of the financial statements.

WESTERN HERITAGE

(Incorporated as a Public Co

AND ITS SUBSI

Consolidated Balance Sh

(with comparative figu

	Assets		1967	1966
Current:				
Cash - - - - -			\$ 401,914	\$ 215,723
Accounts receivable - - - - -			716,925	544,981
Amounts receivable under sale agreements - - - - -			1,492,409	1,806,736
Inventories—				
Land, at cost (includes development costs of \$1,446,594 in 1967 and \$2,042,515 in 1966) - - - - -			2,031,671	2,592,820
Other, at the lower of cost or estimated net realizable value - - -			559,378	574,611
Notes and mortgages receivable due within one year - - - - -			600	—
Prepaid expenses - - - - -			91,204	90,928
Total current assets - - - - -			5,294,101	5,825,799
Land inventory, at cost, less amount included in current assets - - - -			2,964,499	2,945,970
Land options (see Note B) - - - - -			68,388	101,513
Notes and mortgages receivable, less amounts due within one year included in current assets - - - - -			141,696	149,553
Other assets:				
Investment in a land development partnership (see Note C) - - - -			229,946	217,333
Other, at cost - - - - -			197,675	262,612
Fixed assets (see Note D) - - - - -			3,896,913	3,903,695
Unamortized debt discount and expense (accumulated amortization amounts to \$50,928 in 1967 and \$38,789 in 1966) - - - - -			64,363	76,502
Unamortized excess of cost of investment in subsidiary companies over the underlying book value of their net assets (see Note A) - - - - -			1,212,149	1,385,313
			<u>\$14,069,730</u>	<u>\$14,868,290</u>

The accompanying notes are ar

PROPERTIES LIMITED

(Incorporated under the laws of Ontario)

PROPERTY COMPANIES

Balance Sheet as at December 31, 1967

(Assets as at December 31, 1966)

Liabilities, Capital Stock and Deficit		1967	1966
Current:			
Bank loans—secured (see Note E)	- - - - -	\$ 639,264	\$ 915,460
Accounts payable and accrued liabilities	- - - - -	735,957	651,943
Income taxes payable	- - - - -	4,200	826
Accrued interest	- - - - -	36,202	43,507
Estimated costs to complete subdivisions under development	- - -	791,831	1,608,562
Demand notes payable	- - - - -	—	100,000
Current instalments on long-term debt	- - - - -	607,637	530,369
Total current liabilities	- - - - -	2,815,091	3,850,667
Due to parent company, including accrued interest	- - - - -	4,325,309	3,831,589
Long-term debt less current instalments included in current liabilities (see Note F)	- - - - -	6,659,306	7,218,568
Minority interest (see Note G)	- - - - -	1	1
Contingent liability (see Note I)	- - - - -	—	—
Deferred income taxes (see Note J)	- - - - -	93,000	—
Capital stock and deficit:			
Capital stock—(see Note H)			
Authorized: 3,000,000 shares without par value			
Issued and fully paid: 1,195,388 shares (1,194,388 in 1966)	- -	1,245,388	1,244,388
Contributed surplus	- - - - -	7,000	7,000
Deficit—per statement	- - - - -	(1,075,365)	(1,283,923)
Net shareholders' equity (deficiency)	- - - - -	177,023	(32,535)
Approved by the Board:			
A. L. Beattie, <i>Director</i>			
Alan J. Scott, <i>Director</i>			
		\$14,069,730	\$14,868,290

Part of the financial statements.

WESTERN HERITAGE PROPERTIES LIMITED
AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Deficit for the Year Ended December 31, 1967

(with comparative figures for the year ended December 31, 1966)

	<u>1967</u>	<u>1966</u>
Balance at beginning of the year - - - - -	\$1,283,923	\$ 273,207
Add:		
Amounts written off pertaining to operating advances to a country club in prior years - - - - -	—	433,262
Cost of water distribution system applicable to cost of sales in prior years	—	237,663
Adjustment to reflect the assumption of indebtedness of a subsidiary company in voluntary liquidation - - - - -	—	472,572
	<u>—</u>	<u>1,143,497</u>
	1,283,923	1,416,704
Less:		
Net income (loss) for the year—per statement - - - - -	208,558	(277,974)
Gain on sale of investments - - - - -	—	190,955
Gain on disposal of fixed assets - - - - -	—	60,153
Write-off of purchase discrepancy - - - - -	—	159,647
	<u>208,558</u>	<u>132,781</u>
Balance at end of the year - - - - -	<u>\$1,075,365</u>	<u>\$1,283,923</u>

The accompanying notes are an integral part of the financial statements.

WESTERN HERITAGE PROPERTIES LIMITED
AND ITS SUBSIDIARY COMPANIES

**Consolidated Statement of Working Capital and Source and Application of Funds
for the Year Ended December 31, 1967**

(with comparative figures for the year ended December 31, 1966)

	1967	1966
Balance of working capital at beginning of the year - - - - -	\$1,975,132	\$ (32,352)
Add:		
Elimination of working capital deficiency of a subsidiary company which was liquidated in 1966 - - - - -	—	153,711
Adjusted balance of working capital - - - - -	<u>1,975,132</u>	<u>121,359</u>
Funds provided by:		
Operations, excluding charges not requiring funds (depreciation, depletion, amortization and other) of \$608,568 in 1967 and \$499,339 in 1966 -	804,231	221,365
Advances from parent company, including interest - - - - -	493,720	2,023,739
Refund of collateral deposits - - - - -	64,937	—
Net reduction of notes and mortgages receivable - - - - -	7,857	26,941
Decrease in non-current portion of land inventory - - - - -	—	531,030
Gain on sale of marketable investments - - - - -	—	190,955
Other - - - - -	1,000	—
	<u>1,371,745</u>	<u>2,994,030</u>
Funds used for:		
Reduction of long-term debt - - - - -	548,450	611,252
Net purchases of fixed assets - - - - -	298,688	321,324
Land options purchased - - - - -	13,200	7,963
Collateral deposits - - - - -	—	199,718
Other - - - - -	7,529	—
	<u>867,867</u>	<u>1,140,257</u>
Increase in working capital - - - - -	<u>503,878</u>	<u>1,853,773</u>
Balance of working capital at end of the year - - - - -	<u><u>\$2,479,010</u></u>	<u><u>\$1,975,132</u></u>

WESTERN HERITAGE PROPERTIES LIMITED AND ITS SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements December 31, 1967

Note A:

In the accompanying financial statements the accounts of the subsidiary companies have been consolidated with those of the company.

In 1965 the company adopted a policy of amortizing the excess of the cost of investment in subsidiary companies over the underlying book value of their net assets at dates of acquisition, over a ten-year period on a straight-line basis. Amortization charged for the year ended December 31, 1967 was \$173,164 and accumulated amortization to date amounts to \$522,931.

Note B:

A subsidiary company has options to purchase a total of 831.5 acres of land at prices varying from \$300 to \$1,200 per acre. The amount required to exercise all the options after deducting recoverable option payments of \$68,388 is \$344,212. Fees of \$1,200 are payable within one year to maintain the options.

Note C:

The company's 55% interest in a land development partnership is carried at cost plus the company's share of profits less losses since acquisition.

Note D:

Fixed assets, at cost, consist of the following:

	1967	1966
Land and land improvements	\$ 259,860	\$ 271,617
Buildings - - - - -	1,453,197	1,311,038
Machinery and equipment -	2,652,762	2,576,020
Country club and golf course facilities - - - - -	1,153,935	1,081,827
Clay deposit and peat moss bog - - - - -	454,612	467,629
	<u>5,974,366</u>	<u>5,708,131</u>
Less accumulated depreciation, depletion and amortization - - - - -	2,077,453	1,804,436
	<u>\$3,896,913</u>	<u>\$3,903,695</u>

Note E:

Assets having a book value in excess of the bank indebtedness have been pledged as collateral against this liability.

Note F:

Long-term debt consists of the following:

	1967	1966
Western Heritage Properties Limited:		
5% note due 1968 - - -	\$ 100,000	\$ 100,000
6% mortgage due 1967 and 1968 - - - - -	—	40,540
6½% mortgage due 1968 to 1970 - - - - -	181,468	335,580
7% subordinated convertible debentures Series A due June 30, 1973 - -	4,239,400	4,239,400
Miscellaneous mortgages -	149,903	40,192
	<u>4,670,771</u>	<u>4,755,712</u>
Subsidiary companies:		
2¾% mortgage due 1968 to 1977 - - - - -	89,449	97,297
5% mortgages due 1967 -	—	89,800
5½% mortgages due 1970	20,000	20,000
6% note due 1968 - - -	—	21,622
6% mortgages due 1968 to 1977 - - - - -	1,261,421	1,352,853
6% first mortgage bonds due \$100,000 on March 31 of each year 1968 to 1971 - - - - -	400,000	500,000
7% mortgages due 1970 and 1971 - - - - -	77,993	259,493
7¼% mortgages due 1971 and 1972 - - - - -	344,027	251,369
7½% mortgage due 1969 -	44,923	102,140
8% mortgages due 1969 and 1970 - - - - -	285,000	285,000
10% mortgage due 1969 -	61,200	—
Miscellaneous mortgages -	12,159	13,651
	<u>2,596,172</u>	<u>2,993,225</u>
Total long-term debt - - -	7,266,943	7,748,937
Less current instalments included in current liabilities	607,637	530,369
	<u>\$6,659,306</u>	<u>\$7,218,568</u>

The 7% debentures have been issued under a trust indenture and are redeemable at the option of the company in whole or in part at 103% of the principal amount up to and including June 30, 1968 and at decreasing premiums thereafter prior to maturity plus accrued interest to the date of redemption. The debentures are convertible at the option of the holder into shares in the capital of the company at \$3 per share prior to redemption or maturity.

Note G:

Minority interest in subsidiary companies is carried at a nominal value of \$1 due to the capital deficiencies of these companies.

Note H:

During the year, 1,000 shares were issued at \$1.00 each upon the exercise of employees' stock options. The following shares are reserved for issue:

	<u>1967</u>	<u>1966</u>
(i) upon conversion of the 7% subordinated convertible debentures - - - -	1,413,133	1,413,133
(ii) upon exercise of share purchase warrants giving the right to subscribe at \$3.50 per share to June 30, 1973	270,000	270,000
(iii) upon exercise of employees' stock options at:		
\$1.00 per share exercisable 9,500 shares in 1968 and 2,100 shares to February 1, 1969 - - - -	11,600	22,100
\$2.00 per share exercisable at the rate of 500 shares annually to March 15, 1970 - - - -	1,500	2,000
	<u>1,696,233</u>	<u>1,707,233</u>

Note I:

The company is contingently liable for sale agreements discounted in the approximate amount of \$2,247,800 and mortgage loans in the amount of \$29,477 as at December 31, 1967.

Under an agreement dated June 1, 1966 a subsidiary company has guaranteed certain indebtedness of affiliated companies in the amount of \$1,000,000 and as collateral for such guarantees has pledged its outstanding sale agreements, has given a general assignment of its book debts and has granted a first floating charge on all of its assets and undertaking.

Note J:

Income taxes which otherwise would have been provided of approximately \$200,000 have been eliminated as a result of loss carry forwards. In the case of one subsidiary claiming capital cost allowances in excess of recorded depreciation and amortization, provision has been made for deferred taxes.

Note K:

U.S. dollar amounts included in the financial statements are converted into Canadian dollars at the official rate of exchange which approximates the current rate of exchange at December 31, 1967.

Note L:

The total remuneration paid or payable by the company and its subsidiaries to its directors and officers (defined by the Ontario Corporations Act to include the five highest paid employees) with respect to the year ended December 31, 1967 amounted to \$133,000.

Auditors' Report

To the Shareholders of
WESTERN HERITAGE PROPERTIES LIMITED:

We have examined the consolidated balance sheet of Western Heritage Properties Limited and its consolidated subsidiary companies as at December 31, 1967 and the consolidated statements of income, deficit and working capital and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 16, 1968.

CLARKSON, GORDON & CO.
Chartered Accountants.

WESTERN HERITAGE PROPERTIES LIMITED

HEAD OFFICE
35 OLD MILL ROAD
TORONTO 18, ONTARIO

DIVISIONS AND SUBSIDIARIES

Hemlock Farms
Lords Valley
Hawley, Pennsylvania

Western Heritage Properties (Ontario) Limited
35 Old Mill Road
Toronto, Ontario

Canarama Western Limited
2000 Oak St.
Sherwood Park, Alberta

Diamond Clay Products Limited
#5 Highway
Burlington, Ontario

Empire Clay Products Inc.
Route 240
West Falls, N.Y.

The Old Mill Limited
35 Old Mill Road
Toronto, Ontario